



It's up to the consumer

RETAIL competition is ramping up, as evidenced by an article in the *Australian Financial Review* (23 July 2003) which stated that Woolworths would consider staffing their 'mini pharmacies with industry-accredited staff.

The future of community pharmacy is excellent. But, only for those who can adapt to the increased competition by successfully understanding the healthcare needs of their specific target market and translating that knowledge into the pharmacy retail offer. Otherwise customers will continually be attracted to competitors who do give customers what they want, such as some solution-driven traditional community pharmacies, low price formats, Priceline Pharmacy, Woolworths, Coles and so on.

In fact the transfer is already underway and will accelerate regardless of whether the current regulatory landscape is maintained or not (which it won't).

Consumers decide

That's because consumers decide which pharmacy they want to shop at—not the Government. So pharmacy success depends on how many consumers are attracted versus the retail offer of the competition. But how do you attract customers? Consumers seek solutions from their pharmacy and will quickly find them elsewhere if they can't find them there.

So individual pharmacy owners (not the Government or other bodies) are the only ones who have the power to determine their future commercial success. That means finding ways to differentiate the pharmacy from all competitors, particularly the low price formats, by creating a consumer-relevant offer.

A pharmacy must promote to consumers in its particular market area at least one clear advantage over all competition. Furthermore, the retail offer and what the consumer wants must be in sync. If consumers in that market don't care, then it's the wrong offer! There are countless examples of this mismatch and

they've significantly impacted on non-prescription sales, including S2/3.

Retail drivers

There are three key areas that drive consumers into a retail format:

1. Premises

Encompasses convenience, layout, design, clear key category sight lines, uncluttered environment, colour, lighting and encouragement to shop 100 per cent of the store. But, by itself, a fantastic fit-out isn't sufficient. There are countless examples of great looking pharmacies that have little to offer consumers when you look below surface. It's what goes on inside and how customers perceive their needs are being met by the retail offer that holds the key. And that's more than a dispensing service.

2. Merchandise and services

Note I used the word 'services' as opposed to service because it's axiomatic that pharmacy must get out of the mindset of product supply and into consumer-relevant healthcare solutions. A product will often be sold as part of the delivery, which is how the services provision is remunerated.

Therefore, merchandise selection must comprise key categories that can be combined with the value-added healthcare solutions. Each healthcare category selected will be characterised by broad-ranging (must be able to satisfy 98 per cent of all consumer requests), large shelf space allocation, placed in the premium in-store location, well signed, easily accessed, high margin percentage, high stock turn and staffed by highly trained specialists.

Examples are the S2/3 categories (the most under-utilised product range in pharmacy and yet it generates margins of 50 per cent and higher, including discounts) quit smoking, pain, children's analgesics, cough/cold. Add to that wound care/first aid, asthma, diabetes, blood pressure, weight loss, wellness,

home healthcare and still others. They're all categories that dovetail product with service and underline the complete retail healthcare offer.

3. Price

If premises and merchandise/services are done poorly the only way to compete is price promotion such as discounting and constant sales. That results in a downward spiral because there's always someone who can sell it cheaper! Many pharmacies fall into this trap. Because they're losing business to the low price and warehouse operators they believe the only way to compete with them is by matching price.

The low price retailers who rely on price as a strategy don't have to place the same importance on location (convenience), fit-out quality, services and even promotion if they are consistently at least 20 per cent cheaper than the competition. But, because they are inconvenient and occupy large floor space, to keep winning they must excel at systems (data management), buying/procurement of stock at low cost, logistics (moving the stock cheaply) while keeping the overheads down; particularly wages, rent and fit-out.

Pharmacy owners who want to be niche specialty retail healthcare retailers must be very good at points one and two above for consumers to forsake the low price formats.

After deciding how your pharmacy will compete, ask yourself these questions:

1. Do I win?
2. If so by how much?
3. Do the consumers care?
4. Is it sustainable?

Lance Armstrong's book is titled *It's Not About the Bike* and yet he has now won five Tour de France cycling races: clearly it's not about 'the bike' but the attitude of the person on the bike. Pharmacy is the same—it's all about the attitude of the owner which influences the attitude of staff and both of these are driven by customer needs. For pharmacy to win it's all about the consumer! ■